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SPEED PROJECT QUARTERLY REPORT #4

OCTOBER - DECEMBER 2011

DECEMBER 2011

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BACKGROUND

The SPEED project is a four-year USAID-funded trade and investment project. SPEED supports and expands ongoing efforts to strengthen Mozambique's economic, legal, and governance systems in order to improve the environment for doing business. SPEED's goal is to have more companies doing more business, resulting in increased trade and investment and a stronger competitive position for Mozambican firms, thus creating local opportunities for job and income growth.

The project focuses not only on reform of trade and investment policies, but attention also is directed to the policy implementation process and on monitoring implementation of reforms. The SPEED team delivers training and technical assistance that builds the capacity of business associations and corresponding government institutions and catalyzes trade and investment in Mozambique. SPEED operates a grants fund to complement the training and technical assistance activities with associations and government.

The SPEED approach places a high premium on the use of Mozambican expertise to achieve sustainable results. The project is being implemented by DAI and Nathan Associates with the assistance of local contractors SAL & Caldeira.

SPEED is a four year \$19.4 million project which started in September 2010. Funding obligations for the project totaled \$ 2.9 million in December 2011, with incremental funding obligations expected in January 2012.

TECHNICAL ACTIVITIES

Business Environment, Trade and Investment

Challenges to economic growth in Mozambique: Mozambique continues to grow rapidly. This accelerated growth is not however being reflected in reduction of poverty, which has stagnated at 55 percent since 2007-08,¹ so it is important to research the main challenges facing the economy. SPEED/Notes/2011/012 – Challenges of Mozambique's Economy (available at <http://www.speed-program.com/>) identifies the challenges and makes recommendations. It shows that agriculture productivity has been stagnant in the last 50 years, and business environment in Mozambique is complicated, bureaucratic, impairs the formation and

¹ Household Expenditure Survey 2007-2008, Ministry of Planning and Development, www.mpd.gov.mz/index.php?option=com_docman&task=doc_download&gid=103&Itemid=97&lang=en

sustainability of micro, small and medium-sized companies and pushes most of business activities to the informal sector.

The Note shows that the economically-active population is growing annually at more than 350,000 new entrants while new jobs in the formal sector are growing at a rate of less than 50,000 per year. Consequently, most of these job seekers are pushed into the informal sector. The Note emphasizes that at this rate some 1.5 million new entrants will join the labor market between 2010 and 2015 while no more than some 250,000 new jobs may be created in the formal sector during this period – an insignificant proportion that poses high pressure on the need for reforms.

The exchange rate real appreciation is also identified as a critical challenge. The exchange rate has been appreciating in real terms since 1995 and the Note explores its impacts on the economy. As a recommendation, it proposes the creation of a sovereign wealth fund to avoid further appreciation of the Metical and its negative impact on reducing domestic competitiveness and production of tradables, as well as an investment management tool for the resources to the collected from the non-renewables.

The Note was firstly presented in November 2011 at a business-breakfast organized by the Institute of Directors of Mozambique (IoD), in which some 20 CEOs and CFOs from major corporations participated. The Note then presented at a public seminar jointly organized with the Mozambique's Association of Economists (AMECON) in which about 40, mostly economists, participated. The note has been well received and continues to generate substantial interest. This research together with the sovereign wealth fund Note (prepared by SPEED and below detailed) will be discussed once more at a group of Mozambican professionals and politicians during February 2012.

Exchange rate fluctuations in Mozambique: As the Metical appreciated against the U.S. dollar from almost MT 40 in July 2010 to about MT 26.5 in August 2011, it became clear to most that the currency was not only appreciating in nominal terms but also in real terms. Many companies and some sources in the public service, civil society and academia began raising questions on the impact of such an appreciation and wondering about the future.

CTA, Mozambique's companies Confederation of Associations, requested that SPEED looked into this matter. This research is reflected in the report SPEED/Reports/2011/010-Impact of Exchange Rate Fluctuations on the Economy of Mozambique (available at <http://www.speed-program.com/>), produced by Dr. Tyler Biggs. The report found out that the Metical has been appreciating in real terms since 1995 and explores the different transmission mechanisms and their impacts on the economy.

The exchange rate is a key variable in establishing the domestic price level as well as it is the principal equilibrating variable in the country's international trade and payments systems. Ultimately, it is a major facilitating variable in determining the rate and pattern of economic growth. Trade integration with global markets has risen fast over the last several decades, particularly in terms of imports, and foreign currency is widely used locally for consumer and business transactions (e.g., rent payments on apartments, buying consumer goods across the

border, accounts payable in business), as well as for savings. This ever-present nature of foreign currency in daily life amplifies the importance of exchange rate fluctuations on the economy and captures the interest of policymakers.

The purpose of the study was to assess the impact of exchange rate shocks on the economy. The focus of attention was on five transmission channels through which fluctuations in the exchange rate affect economic activity. The first is via domestic price determination. Changes in exchange rates generate changes in import and export prices. In the case of prices of imports, these shocks then reverberate through the pricing chain to consumer prices and producer costs. In the case of export prices, exchange rate shocks impact exporter margins and international sales. The second transmission channel is via trade flows. Exchange rate swings have expenditure-switching effects on trade volumes, as a country's products and services become more or less expensive relative to foreign goods and services. This, in turn, leads to shifts in global demand away from or toward a country's products. Third, changes in exchange rates impact firms' profits in a number of ways. One way is via changes in competitiveness, which has an impact on export volumes and/or on sales of import substitutes on domestic markets. Another way is through changes in the price of a firm's assets and liabilities, which impacts the company's net worth. The fourth transmission channel is by way of changes in valuations. Exchange rate shocks can have valuation effects on the domestic currency value of foreign assets and liability holdings. These valuation changes produce wealth effects on consumers and on firms that influence aggregate spending and investment. Fifth, the cumulative impact of all these effects of exchange rate changes can have important consequences for economic growth.

This report was presented at a public seminar jointly organized with CTA. The seminar had some 70 participants from the private sector (including banks) to civil servants, donor community members, civil society, and academia. The relevance of the topic and findings was highly appreciated, demonstrated by the enormous questions and comments raised. The central bank, Banco de Moçambique, did not want to participate in the public seminar, but requested a bilateral meeting with SPEED where the report was discussed and comments provided. This research has been generating significant discussion on the need to avert the continuation of the real appreciation.

Doing Business seminar/training in Bilene: SPEED, in collaboration with Ministry of Industry and Commerce (MIC), Confederation of Business Associations (CTA) and International Finance Corporation (IFC), organized a workshop on Doing Business (DB), from December 12th to 14th in Bilene, Gaza Province. The initiative aimed at (i) explaining the way the World Bank Group computes the Doing Business ranking and how each country can move up or down, and (ii) drafting the 2012 Investment Environment Action Plan to be submitted to Council of Ministers for approval earlier January 2012.

The target group of the workshop was the Inter-ministerial Group for the Removal of Barriers to Investment (GIRBI) comprised by 9 public institutions with direct responsibilities in the implementation of the Government Strategy for Improving the Business Environment (EMAN). In total, there were 38 people attending the event.

Cesar Chaparo and Dana Omran, two IFC/Doing Business specialists based in Washington were invited to explain how the ranking is computed and how a country can quickly improve on it. Their interventions comprised both legal indicators and time & motion indicators, namely, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trade across borders, enforcing contract, employing workers² and resolving insolvency. Taking stock of these inputs, the recommendations prepared by SPEED (and TIP) project to the Government of Mozambique over the years on how to improve the business environment, and the current stage of the implementation of the EMAN, the participants drafted the 2012 Investment Environment Action Plan which is divided into two parts: one focusing on the reforms with direct impact on Doing Business indicators that can be implemented in 2012, other comprising reforms to be implemented under the EMAN in 2012.

The reforms with impact on Doing Business include, among others, the approval and implementation of the Insolvency Law, simplifying the process of getting the construction permits, simplifying the process of registering a property, create a private credit bureau, streamlining the mechanisms for paying tax and easing the trade across borders.

Comments on the Doing Business 2012 report for Mozambique: As a follow up to the publication of the 2012 Doing Business annual report by the International Finance Corporation, SPEED prepared a brief analysis on the results for Mozambique last year. The final document provided thoughts on some possible ways to overcome the prevailing situation. The analysis fed discussions held between the public and private sector on the path and pace Mozambique is taking to improve its business environment.

Conclusions of the report indicate that if the pace of the reforms remains as it has been in the last five years, Mozambique will only reach its goal of being top ranked in the southern Africa region by 2591, i.e., after 5 centuries,. This is a clear signal that there is a lot to do if Mozambique really wants to become a reference country in the SADC region by 2015. The formulation of Mozambique's new Business Environment strategy is an opportunity for Mozambique to restructure its institutional framework and come up with more ambitious reforms which will effectively improve its business environment. The report summarizing the main conclusions is available at www.speed-program.com.

INAE – Capacity building in human resource management: One of the major concerns raised by the private sector is the burden caused by uncoordinated and non-transparent inspections carried out by a plethora public institutions. To address it, the GoM created in 2009 the National Inspectorate for Economic Activities – INAE (Decree No. 46/2009 of August 17) putting together 9 different inspectorates from various ministries.

To enable INAE to effectively start up its activities and ensure coordinated and transparent inspections to private sector, SPEED developed a human resources management system for INAE, including both career and salary profiles along with a performance assessment framework. Over a period of two months, SPEED's consultant worked with different public institutions (Ministry of Public Function, Ministry of Finance and Ministry of Industry and

² The "Employing Workers" indicator does not count for DB ranking but it is included in the report.

Commerce) designed INAE's human resources management system, developed the performance assessment system based on SIGEDAP (Sistema de Gestão do Desempenho na Administração Pública e na gestão das novas Carreiras Profissionais), calculated the INAE HR impact on the state budget for the next five years, conducted training for 10 inspectors. The report and the presentation summarizing the main results are available at www.speed-program.com.

It is expected that this SPEED contribution will help the Government of Mozambique (GoM) achieve one of the goals established in the Performance Assessment Framework (PAF), under the Budget Support MoU between GoM and the Programmatic Aid Partners (PAPs), that is to “enable INAE to effectively start up with its activities and carry on coordinated and transparent inspections to private sector.”

PAF exercise – PSWG: SPEED provided technical assistance to the Private Sector Working Group (PSWG) with inputs for the Performance Assessment Framework (PAF) – a tool used by the Programmatic Aid Partners (PAPs) to monitor government's performance in a specific year. SPEED prepared a list of product indicators on the Employment Promotion subsection within the Small and Medium-sized Enterprises (SME) Promotion section of the broader PAF matrix. The result indicators attached to them was focused on improving the business environment for SMEs toward boosting employment generation in the sector. In fact, implementation of key policy reforms with direct impact on SME promotion would also contribute to improving the country's position in the Doing Business report ranking. This exercise ended up with an agreement between the Government and the PAPs which kept the focus of the Employment Promotion subsection within the SME Promotion section on improving the business environment. At the technical level, the exercise was chaired by Ministry of Labor, and had the participation of MIC, CTA, World Bank, IFC, USAID and SPEED.

SPEED's PAF work summarizing the PAF product and result indicators, targets and other details is summarized in a technical note available at <http://www.speed-program.com/speed-notes-2011-009-paf-employment-promotion-and-sme-promotion>.

Construction license simplification: SPEED completed the planned activities for first phase of work with the Maputo municipality on simplification of the system for obtaining construction licenses. The study started with interviews and meetings in the city's departments of Construction, of Land and of Topographic Plan. In December 2011, SPEED conducted a seminar for the staff of the municipality, private sector, other units of government and donors. There were 90 participants. A focus of the seminar was procedures for operating the city's topographic plan which is viewed as a major problem in the simplification of the licenses for construction. Interaction between the staff of the municipality and the private sector was very important to defining which model to follow in order to change licensing procedures and thereby improving Mozambique's ranking in the World Bank group Doing Business report.

The results of work will be presented in a draft report from the consultant in January 2012. The draft report will suggest legislative amendments to various laws to enable implementation of plans to simplify issuing of construction licenses. The second phase of the study is expected to be utilize another consultant in order to revise the actual legislation and legal ordinances of the Municipality.

Guide to district agriculture commercialization associations: The SPEED Project supported the Ministry of Trade and Industry in designing a draft Guide for District Agriculture Commercialization Associations. The guide uses AGECOM as a base, the district agricultural commercial association in Mulange district on which SPEED conducted an assessment and provided capacity-building support earlier in the year. The guide lays out steps for enterprises to create agricultural commercialization associations in districts throughout Mozambique. The draft guide was completed for presentation at the *Conselho Coordenador* of the Ministry of Industry and Trade.

Commercial Code Translation: Translation of Mozambique's Commercial Code into English was requested by ACIS, a private sector association commerce and industry association in Mozambique. The Commercial Code is long – more than 500 articles - and parts of it had been translated previously and were available to the public, but the majority of the code was only available in Portuguese. Having the code in English is important to investors in order to better understand the business environment reduce risks of inadvertently violating the code. The translated Commercial Code is now available on both the SPEED and ACIS websites for downloading.

US/Mozambique Business Conference: The U.S. Embassy in Mozambique is hosting a two-day business conference in Maputo with the objective to increase trade and investment between the two countries. The conference will be held in March 2012 and will be opened by the president of Mozambique. The conference will focus on opportunities in energy, mining, agriculture and tourism.

The SPEED project is assisting the embassy with conference logistics and outreach. After developing an extensive checklist of logistical issues and tasks, SPEED contracted with a logistics coordinator to manage the event. Together logistics coordinator, SPEED has developed a webpage for the event (<http://www.speed-program.com/main.asp?page=1527>), is handling registrations and payments and is preparing posters, banners and flyers.

CTA audit response: USAID has supported the Confederation of Business Association in Mozambique for a number of years, including through issuing a direct grant to the organization several years ago. However, a number of accounting issues with the grant were not finalized after an audit and delayed responses to audits on the part of CTA lead to a letter of collection being issued by the U.S. Treasury Department. CTA is a key partner of the SPEED project and SPEED continued assistance to CTA during the quarter in order to finally close the audit issue.

CCMUSA accreditation: The United States-Mozambique Chamber of Commerce (CCMUSA) is an up and coming association in Mozambique and a key partner with the U.S. Embassy in organizing the upcoming US/Mozambique Business Conference. Though CCMUSA liaises with the U.S. Chamber of Commerce based in Washington, D.C., it had not yet pursued the steps necessary for accreditation with the Chamber. SPEED helped CCMUSA during the quarter to prepare and present bylaws, membership lists, activity programs plan and financial statement and then to put the material together for an accreditation application to the U.S. Chamber. CCMUSA

is expected to finalize accreditation before the planned U.S. Embassy-hosted Business Investment Conference in Mozambique next March.

IPEME Conselho Consultivo: The SPEED project provided partial funding for the Institute for Small and Medium-sized Enterprises to hold their annual Consultative Council in Bilene. During the meeting, activities conducted during for the previous year were assessed and an activity plan for the upcoming year was developed. The SPEED project expects to be working closely with IPEME as managers of a fund for financing SME development investments in Mozambique.

Agriculture

Value-added tax (VAT) and impact on Agriculture: Several agriculture companies claim that the VAT tax is not fair and that it inhibits agricultural growth. The agriculture sector is benefiting from a “zero” percent VAT tax rate, however, this disposition does not allow companies to be refunded of VAT payments that they are making along the production and trade chain. In addition, a decree was issued exempting VAT payments on imports of corn and soybeans for production of animal feed. CTA and agricultural companies requested SPEED to make an assessment of VAT in the sector, impacts, fair trade and treatment across the sector and produce recommendations for changes, if needed. SPEED commissioned such research which is expected to be drafted before end of January 2012. The research included a seminar held in Quelimane with 30 participants and meetings in Napmpula and Chimoio with companies located in the regions and either producing agriculture goods or involved in inputs or transport of agricultural products.

The findings and recommendations will be presented in a draft report which will be discussed with CTA and companies in a seminar. Conclusions of the seminar will be included in the final version of the report and published by SPEED during next quarter.

Grow Africa Initiative: In preparation for Mozambique’s participation in the Africa Growth Initiative last November 2011, SPEED participated in a working group for drafting and preparation of Mozambique’s country presentation to the conference. SPEED provided inputs and comments until a final document was approved by the Vice-Minister of Agriculture who led the Mozambican delegation to Dar-es-Salam, Tanzania. The paper highlighted national priorities for agrarian sector development; the development corridor approach; underlying prospects for the sector; and agribusiness investment and business opportunities in Mozambique’s. SPEED will continue working with the country team in preparation of Mozambique’s presentation at the continental level business and investment showcase scheduled for May 2012 in Addis Ababa, Ethiopia and sponsored by World Economic Forum’s New Vision for Agriculture in Africa.

World Food Prize 2011: The Minister of Agriculture participated last October in the World Food Prize events in Des Moines, Iowa, and while in the United States conducted congressional briefings on CAADP and Feed the Future in Washington DC. SPEED was asked to provide assistance to the Minister during his visit to United States. This included facilitation of meetings

with high level US government officials such as the Secretary of Agriculture and Deputy Assistant Secretary of State, along with several key USAID and USDA officials. SPEED assisted in preparing the Minister's presentations and talking notes for these bilateral meetings. Meetings with business leaders and with key World Bank agriculture sector personnel to discuss World Bank agriculture country support were also facilitated.

MOA Economic Advisor: At the request from the Minister of Agriculture to USAID, SPEED seconded one of its senior staff to MOA as an economic advisor. During the first two months of work the economic advisor provided counseling to the Minister and Vice-Minister on several issues as requested and was involved in technical preparation of Minister's attendance to the Berlin Agriculture Minister's Summit on agriculture and climate change scheduled for early January 2012. Major activities during this period included:

- Issuing a technical opinion on how to engage the unions on minimum salary matters. A study to inform a policy decision on wage policy for the agriculture sector has been recommended;
- Issuing a technical opinion on a request by farmers for specific regulation on hygiene and safety for the agriculture sector. An assessment will have to be carried out. In view to this, contacts were established with AgroFuturo to facilitate and eventually fund such study.
- Participated in the preparations for signing the CAADP Compact, including reviewing the Compact text;
- Reviewed CAADP / PEDSA documents in preparation of the National Investment Plan preparation exercise.

Tourism and Biodiversity

Tourism levy: Previously, SPEED assisted CTA in preparing a position paper on the proposed introduction of a 1% levy on tourism revenues. While these goals appear to be relevant, the levy is an additional burden on operators and could undermine the operators' competitiveness. In response to the position paper government agreed to modify the levy and a public/private working group. After many delays, the working group was established during the quarter and conducted initial meetings with the objective of establishing a common position.

Concessions in protected areas: Mozambique has enormous potential to grow its tourism industry, however the country must translate opportunities into meaningful products and services. Developing sustainable tourism concession models in and around Mozambique's key protected areas is one way to get the private sector engaged, to enable communities to benefit from tourism development, to increase job creation, and to help the Mozambique's tourism industry grow.

SPEED is conducting a study is to analyze and understand the characteristics of tourism concession models that are currently applied in Mozambique's protected areas. Drawing on this information and on regional experiences, the study will elaborate and best practices for concessions in protected areas. Also, in conjunction with governmental authorities in

Mozambique, SPEED will also prepare a manual for developing tourism concessions in the country which will serve as a practical guide for new tourism operators. This work will be followed with a conference on Innovative Concessions Partnerships for Tourism in Protected Areas organized jointly with the IUCN World Commission on Protected Areas.

Democracy and Governance

Anti-corruption legislation: The Government of Mozambique recently drafted new anti-corruption legislation to update the laws, to pull together relevant laws into a single location and to deal with issues such as declaration of assets, public prosecution mechanisms, conflict of interest and protection of witnesses and whistleblowers. The donor Governance Platform, of which USAID is a part, wanted a review examining the proposed anti-corruption legislation's strengths and weaknesses. This was performed during the quarter by consultants provided by SPEED and DfID. The consultants reviewed international obligations, commitments, and protocols; reviewed the law for coherence and completeness within the penal code and with other Mozambican legislation; reviewed the institutional framework for implementation of the legislation; and reviewed the law against current best practice in the field of fighting corruption, improving accountability and enhancing transparency.

While some deficiencies were identified *vis a vis* international benchmarks, overall the anti-corruption legislation was deemed a valuable improvement for Mozambique and rapid passage of bill by parliament was strongly recommended. The consultants also provided guidance for medium-term action planning and for long-term institution building and training.

Sovereign wealth funds (SWFs): An important challenge currently facing Mozambique is the real appreciation of the Metical since 1995. This appreciation is expected to be sustained or continue in the long-run. Avoiding this real appreciation or at least slowing it down to allow for structural changes to the non-renewable resource sectors is pivotal towards eluding the "resource-curse" and Dutch Disease. To tackle this issue, SPEED commissioned research on SWFs (SPEED/Notes/2011/014, Sovereign Wealth Funds – available at <http://www.speed-program.com/>) as they are becoming the best instrument used by countries to avoid real appreciation and the resource-curse.

This note describes the different SWFs currently existing, their purposes and management systems. It emphasizes that all of the current SWFs are independent agencies, report only to parliament, and their resources are mostly used in public investment expenditure towards supporting and sustaining accelerated growth of the non-renewable resource sectors. Norway is the exception as the fund covers the country's social security system. In all the cases, government interference is minimal with ministries of finance and central banks only involved in their management.

The importance of this Note is two-fold. In first place, it is impossible for central banks to accumulate reserves to the amount of current SWFs. Disproportionately large international reserves accumulated by central banks impose inflationary pressures in the economy even if sterilization is used. The exchange rate will continue to appreciate in real terms over the medium

and large-term with the resource-curse looming fast and furiously over the economy. The second effect in the absence of SWFs is that governments trying to use the enormous resources generated, but due to limited absorption capacities of public institutions and weak accountability and transparency systems in public finance management the result that quality and efficiency of expenditure reduces rapidly and corruption increases. Without the establishment of SWFs, there is an enormous risk posed to Mozambique's future of a poverty free country and improved wellbeing of her citizens. This Note's importance is also determined by the Note on Challenges to the Mozambican economy where appreciation of the exchange rate is found as a main risk to growth.

This Note is expected to be discussed at different *fora*. It is likely that it will be presented at a seminar to civil servants, donors and other stakeholders. It will also be presented and discussed with a group Mozambican professionals and politicians soon as this issue has captured substantial interest.

Support to MEITI: SPEED, with funds from USAID-Democracy and Governance, is planning to provide assistance to MEITI-Mozambique Extractive Industry Transparency Initiative to achieve Mozambique's validation and membership to the initiative during the first quarter of 2012. SPEED is currently discussing the terms of reference of an assessment identifying if Mozambique's legal framework has impediments to Mozambique's EITI membership. If impediments exist, recommendations of draft legislation will be included in the assessment to overcome such obstacles.

Economics training for journalists: SPEED organized an economic journalism training course from 14th to 18th November 2011, in Bilene, Gaza Province. The aim was both to enhance the quality of economic, financial and business reporting in Mozambique and also to improve the role of media organizations in monitoring economic policy-making and the government's management of its finances. The training covered a range of topics including basic principles of journalism, macroeconomics, the business environment, company news, fiscal, monetary and trade policies. It was conducted by the Thomson Reuters Foundation. Local professionals from various public, private and donor institutions were invited to lecture on selected topics as well. Fifteen journalists from the main print, online, and broadcast media institutions based in Maputo, Beira and Nampula attended the training over five days. Five editors also attended presentations given by the training on the final day. Participants were awarded with certificates at the closing by Mr. Charles Brown of the US Embassy in Maputo. They are now able to interact with thousands of journalists around the world through the Thomson Reuters Foundation network.

This initiative is just the first step in SPEED's plan to improve the quality of economic journalism in Mozambique. The SPEED project will continue working with its media partners to develop ongoing training events which might include more in-country training and/or long distance training. All this aspects are summarized in the journalism training report available at www.speed-program.com.

Journalist Q&A: SPEED carried out the first Journalist Question and Answer session during the quarter on "Challenges for the Mozambican Economy," conducted by Antonio Franco. The objective was to enable the journalists to discuss the issue in depth with the author, something

that is not possible when SPEED conducts large seminars and workshops. Three journalists attended this event. It is expected to have similar events on all significant topics being examined by SPEED.

Formalizing the participatory process for legislation and regulations: It is not uncommon in Mozambique for government to draft laws and regulations without giving the private sector an opportunity for input. Laws and regulations often are not circulated for public comment, or if they are circulated, the comment period is very short. Extensive feedback is not encouraged. To create a more transparent and participatory system for policy development, the SPEED project is working with local partners SAL & Caldeira (S&C) to build public understanding of the current policy process and introduce a formal mandate for public notice and public comment. The work entails forming a public/private working group on the subject, preparing a discussion paper on public participation in the policy process, preparing a draft law for public participation, and conducting an information campaign and training for implementing the changes.

The working group has been formed and is comprised of UTREL, UEM, Radio Moçambique, TVM, CTA and ACIS. S&C is now in the 3rd phase of interviews and questionnaires with stakeholders and next will produce the discussion paper on participatory approaches to policy development. This work will continue through the end of 2012.

Updating legal framework tax guides: An important component of the guides is the investment strategy in the tax sector, the more transparent of the existing procedures for IRPS, IRPC, VAT and other's the more easy for the business environment. Soon the guides will be publicized in the website of ACIS for all national and international investors in Mozambique improving the business environment in Mozambique.

Some years ago ACIS, the Commercial and Industrial Association, prepared a series of tax guides to assist their member companies navigate their way through Mozambique's complex and often confusing tax systems. Members found the guides extremely useful, but the guides need updating due to all the changes in tax regulations since those guides were produced. The SPEED project is working with Delloite and Touche for updating the guides, as well as having the Ministry of Finance to whose services the guides refer, approve their content. Four tax guides are being prepared:

- Legal Framework for Tax – General Overview
- Legal Framework for tax – VAT
- Legal Framework for Tax – Income Tax
- Legal Framework for Tax – Other Taxes & Levies

Grants

Grants Manual: The SPEED project Grants Manual, prepared in May 2011, was approved by USAID in November. The SPEED Grants program is intended to provide funding to Mozambican associations and NGOs to enable associations to better participate in the policy process for trade and investment oriented policies. Associations and NGOs will be encouraged to

apply for grant funding in order to develop new policy proposals, analyze existing and proposed policies, examine the implementation of policies, monitor the effects of policies and to advocate for policy change.

The SPEED Grants Manual has provisions for four types of grants to partners: In-Kind Grants, Fixed Obligation Grants, Simplified Grants and Standard Grants. The type of grant used will depend on the type of grant activity being proposed and the financial and management capability of the partner. The use of in-kind and fixed obligation grants will allow SPEED to support partners that may lack financial and management capacity to implement more traditional grants.

CACM grant: SPEED's first grant was issued during the quarter in the amount of \$100,000 to the Centro de Arbitragem Conciliação e Mediação (CACM). The Center for Arbitration, Conciliation and Mediation (CACM) is a nonprofit institution under the aegis of the CTA, formed to encourage and provide the use of alternative and appropriate mechanisms for resolving disputes. In recent years the number of conflicts between companies has increased and also the time and expense to resolve business disputes and enforcement of commercial contracts, which have been a major barrier to development, sustainability and competitiveness in business.

Dispute resolution systems provide a better solution to businessmen since they are rapid, economical and fair. Activities CACM proposes to perform under the grant include:

- Resolution of conflicts
- Prevention of conflicts
- Training of mediators and arbitrators
- Providing public information on alternative mechanisms for conflict resolution
- Expanding the culture of arbitration to other geographic areas and activities
- Connecting with other regional and international forums of mediation and arbitration.

SPEED PROJECT ACTIVITIES - FY '12							
Quarter	SPEED Analyses	Capacity Building Activities					
		Private sector			Government		
		Activity	Participants		Activity	Participants	
			M	F		M	F
Q1	Challenges to growth study	CCMUSA - accreditation	-	-	IPEME retreat - Bilene	15	15
	Investment and business enviroment	CTA - Metical appreciation seminar	55	15	MIC - Guide to district ag commercialization associations	-	-
	Metical appreciation study	IoD - Investment and business environment - working breakfast	8	7	Manica governor - Manica investors conference	137	27
	Construction license simplification analysis	CTA - Quelimane - VAT workshop	22	8	MOA - Grow Africa conference presentation	-	-
	Doing Business seminar/training in Bilene	MISA - Economic training of journalists	14	1	MOA - Agricultural policy advisor	-	-
	Formalizing participatory policy process	CTA - Audit response	-	-	INAE - HR management report	-	-
	Soverign wealth fund study	AMECON - Challenges to growth semainar	52	13	Maputo municipality - constuction legislation seminar	74	16
	PAF exercise	Journalists - Q&A on challenges to growth	3	-	DASP/CTA - Doing Business seminar/training in Bilene	30	8
	US/Mozambique Business Conference	CACM - Grant	-	-			
	VAT in agriculture study	ACIS - Update tax guides	-	-			
	World Food Price Conference	ACIS - Commercial code translation	-	-			
	Grow Africa presentation	ACIS - Update of land legal framework guide	-	-			
	Tourism levy negotiations						
	Concessions in protected areas						
	Journalist training in economics						
	Anti corruption legislation analysis						
	SPEED Grants Manual						
Total Q1	17	12	154	44	8	256	66